Regulation Update

Qqest

IRS Releases Employee Affidavit for HIRE Act, Offers Guidance on Payroll Tax Exemption

CURRENT AS OF MAY 3, 2010

Background

The Hiring Incentives to Restore Employment Act (HIRE) Act, also known as the “jobs bill” was signed into law on March 18, 2010.

The HIRE Act provides a federal program for employers with incentives to hire and retain employees.

The HIRE Act will exempt an employer from paying the employer portion of Social Security taxes for the remainder of the year on new hires who are currently unemployed. The HIRE Act essentially eliminates the current 6.2% employer Social Security tax for eligible new hires, generating immediate savings that will positively impact a business’ bottom line.

A new form and answers to frequently asked questions are available to employers that plan to take a tax credit under the employment incentive law.

New Form Published

Form W-11, the Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, was released April 7 by the Internal Revenue Service.

The form is to confirm that the new hire is a qualified employee under the HIRE Act. Employers cannot claim HIRE Act (Pub. L. No. 111-147) benefits, including a payroll tax exemption and a new-hire retention credit, unless the employee completes and signs the affidavit or a similar statement.

In notice IR-2010-043, IRS said it plans to release a revised second-quarter Form 941, Employer’s Quarterly Federal Tax Return, next month. Employers are to report total amounts on the first page of Form 941, and reduce the liability on Schedule B, Form 941, by the amount of the tax reduction.

IRS Guidance

IRS officials speaking via telephone to payroll industry representatives April 1 said:

- The 2010 Form W-2 will have a new box 12 code, CC, added for reporting HIRE Act exempt wages and tips for qualified employees. Form W-3 will also have a line added for reporting total exempt wages.
- The first-quarter exempt amounts are to be treated as a payment made on the first day of the second quarter on the revised form 941, similar to the COBRA subsidy tax credit. Employers are to reduce their liability on Form 941 for exempt amounts paid after March 31, 2010.

Qqest Software Systems, Inc.
Phone 1.800.733.8839
Support 1.800.697.7010
Fax 801.281.9545
www.qqest.com
info@qqest.com